



To: City Auditors, Town and Special Purpose District Accountants
From: Gerard D. Perry, Director of Accounts
Date: July, 2014

This letter sets forth the requirements for certification of General Fund free cash, certification of enterprise fund retained earnings, submission of Schedule A, submission of the Snow and Ice annual report and certain other related matters.

M.G.L. Chapter 59, § 23 clearly contemplates only one certification, based on the balance sheet submitted by the city auditor, town or district accountant, or supported by audited financial statements if required by the Director. Requests for a revision, apart from a free cash update, are unlikely to be approved. Appropriation is allowed after Bureau certification; appropriation prior to certification will be considered defective, requiring additional local action.

For jurisdictions required to submit audited financial statements prior to free cash certification, the Director may decide not to certify an amount if the independent auditor's opinion is adverse or if the opinion is disclaimed.

New this year

- For revenue recognition purposes, the Bureau will allow only expected reimbursements from MassDOT for Chapter 90 expenditures provided:
 - a) the community can document that the request for reimbursement has been filed with MassDOT by September 30, 2014; and
 - b) the Bureau must be satisfied that payment will be made.

All other state and federal reimbursements must be received by September 30. See Potential Increases to Free Cash and Potential Decreases to Free Cash below for this important change.

- Forms indicated by links under Balance Sheet – Form Submission Requirements below, with the exception of the Snow and Ice Annual Report, are now available to cities, towns, special purpose and regional school districts.
- Schedule A-4, which must be submitted for tax rate certification purposes by all communities that have accepted the Community Preservation Fund, has been revised for FY2015.
- At the discretion of the Commissioner of the Department of Elementary and Secondary Education (DESE), the Bureau may withhold tax rate certification for any city or town that has not met its net school spending requirement for FY2015. Also, funding below the proper FY2014 net school spending threshold level could, again at the discretion of the DESE Commissioner, result in a loss of State aid.

The balance of information in this letter is updated and are reminders from last year

Balance Sheet - Form Submission Requirements

All procedures necessary to properly close accounting records should be completed. Pre-closing trial balances will not be accepted. Submit hard-copy documentation not already entered or uploaded into Gateway.

UMAS accounting does not require that local governmental entities convert their chart of accounts to conform to GASB 54 definitions. The Bureau will expect fund balance definitions to appear as in the past.

For jurisdictions anticipating appropriation from free cash in December, the Bureau suggests that balance sheets in proper form be submitted no later than November 15 to allow sufficient time for Bureau review and certification. Due to the high volume of tax rates certified by the Bureau during November and December, certification of free cash during these months may be delayed.

The following required forms are down-loadable from the DLS website when linked and are up-loadable or data entered into Gateway under Misc Forms.

- Combined Balance Sheet and Combining Balance Sheets for each fund type including individual fund balances;
- Detailed analysis of undesignated fund balance/surplus revenue;
- [FY2014 Year End Checklist](#);
- [Cash Reconciliation Form](#);
- [Treasurer's Year End Cash Report](#) as of June 30;
- [Schedule of Outstanding Receivables](#) as of June 30;
- [Statement of Indebtedness](#) as of June 30;
- [Snow and Ice Annual Report](#);
- Audited financial statements if required by the Director;
- Other information as requested by the Bureau.

Balance Sheet Presentation

- For June 30, 2014 balance sheet purposes, debt proceeds reserved in the Enterprise Fund must be transferred to a Capital Projects Fund.
- Transfer of Enterprise Fund receipts to the General Fund for indirect costs cannot exceed for each enterprise the amount reported on Enterprise Funds Schedule A-2, part IIB approved for tax rate certification.
- If committed before July 1, the FY2015 property tax commitment is not recorded until July 1. Cash received before July 1 toward that commitment is recorded as FY2015 deferred revenue.
- Invested funds must be reported at fair value as of June 30.

- Incurred But Not Reported claims of a self-insured health care trust fund must be accrued and reported on the balance sheet. A June 30, 2014 deficit in this fund is a reduction to free cash and must be provided for on the FY2015 tax rate.
- Funds appropriated for employee contracts, if included in the omnibus budget, may be encumbered only if the employer and employee bargaining representatives agree to contractual terms by July 15 with a final ratification.
- The State Special Education Reimbursement Fund (Circuit Breaker) June 30 balance can be no greater than DESE's FY2014 reimbursement, not including extraordinary assistance or funds obligated by the school committee for FY2015 purposes. Any excess fund balance must close to the General Fund on June 30.
- Massachusetts School Building Authority (MSBA) lump-sum payments may require reservation and amortization. Review [IGR 08-102](#) and the [FY2015 Estimated Receipts Worksheet](#) for instructions.
- Inter-fund borrowing advances must be repaid no later than June 30. [IGR 92-105](#). Debt authorized for jurisdictions under legal restriction to obtain approval from the Commissioner of Revenue must first receive local approval and then the Commissioner's before inter-fund borrowing and expenditure of funds can occur.
- Community Preservation Fund balances reported on the June 30 balance sheet must match balances reported on form [CP-2](#) due on October 31.
- Appropriations from Community Preservation Fund (CPF) FY2015 estimated revenues prior to July 1, are neither recorded nor expendable until July 1.
- Any Enterprise Fund related capital project deficit recorded in the Capital Projects Fund will reduce free cash or retained earnings depending upon the fund intended to finance the capital project.
- Free cash will be reduced by the amount of any federal school grant reported in deficit since June 30, 2012. The Bureau will not require at this time that the deficit be provided for on the FY2015 Tax Rate Recap. However, accounting officials should be aware of why such a deficit recurs.
- The Bureau has advised local accounting officials for some time that reservation of funds within an Enterprise Fund apart from retained earnings may only occur consistent with the provisions of the Enterprise Fund Manual, IGR 08-101. We have also recommended courses of action for continued reservation of such funds. For June 30, 2014 retained earnings certification purposes, improper reservations will be closed to retained earnings. Capital projects should also not be reported in the Enterprise Fund, but should be reported in the Capital Projects Fund.
- For June 30, 2014 free cash certification purposes, along with the usual certification letter E-mailed to officials will be a free cash calculation worksheet, and worksheets for retained earnings. This will be done in an effort to add transparency to the certification process.
- The FY2014 Schedule A will be due November 30.

Potential Increases to Free Cash

The following amounts may be requested by the jurisdiction's accounting official to be included in the certification:

- FY2014 state aid payments received by September 30;
- Federal/state reimbursements received by September 30 for FY2014 expenditures that resulted in a deficit fund balance as of June 30 may be applied to offset the deficit;
- Expected reimbursement from MassDOT relating to Chapter 90 apportionment reimbursements for FY2014 expenditures that resulted in a deficit fund balance as of June 30 may be applied to offset the deficit provided:
 - (a) a documented reimbursement request was filed with the appropriate authority by September 30 and
 - (b) the Bureau must be satisfied that payment will be made.

Potential Decreases to Free Cash

The following reasons will contribute to a free cash reduction unless otherwise noted. The Director may reduce the calculated amount of free cash if, in his opinion, the calculated amount cannot be substantiated by supporting documentation.

- A variance between balance sheet and cash and/or outstanding receivables detail;
- Illegal deficits or any legal deficit not provided for on the tax rate (if tax rate certification preceded free cash certification);
- An individual Capital Projects Fund fund balance deficit unless funds were borrowed by June 30;
- A self-insurance health claims trust fund balance deficit (note: must be provided for on next tax rate);
- A non-school federal or state grant deficit as of June 30 for which funds were not borrowed by June 30 or reimbursement was not received by September 30;
- A Chapter 90 fund balance deficit unless:
 - (a) funds were borrowed by June 30;
 - (b) reimbursement was received by September 30; or
 - (c) reimbursement was filed with MassDOT by September 30 and the Bureau must be satisfied that payment will be made.

Treasurer's Year End Cash Report

The Treasurer's Year-End Cash Report as of June 30, 2014 must be completed and returned to the Bureau by September 30, 2014 or upon submission of a balance sheet for FY2015 free cash certification, whichever is earlier.

Although the Quarterly Cash Report is no longer required, the Treasurer's and Accountant's records should be reconciled monthly during the year. The Report is submitted using the Gateway system and is found under Miscellaneous Forms, Treasurer's Year-End Cash Report. For the Accountant, check-off only where indicated or complete Part III of the Report if there is a variance. Do not check-off on behalf of the Treasurer. If you have any problems with Report submission, please contact Gerry Cole at 617-626-4110 or by E-mail to coleg@dor.state.ma.us.

Certification Notice

Certification letters will be e-mailed to the mayor/manager, board of selectmen, finance director, accounting officer and treasurer immediately upon approval, provided an e-mail address is reported in DLS' Local Officials Directory. Officials are advised to check their e-mail address in the Directory and notify their jurisdiction's Clerk if incorrect.

Free Cash Certification Update

One free cash certification update is allowed per fiscal year. Certification may be updated by receipts attributable principally to prior fiscal year property taxes, net of refunds, received from July 1 through March 31. At minimum, a listing of taxes collected by fiscal year must be provided to the Bureau for update purposes. This certified update provides additional appropriation authority.

An update will not be certified if use of such funds could, in the Director's opinion, result in a negative free cash as of the following June 30. No similar update may be requested for the following fiscal year if an update is certified and such a negative free cash results.

The Bureau will continue to allow non-recurrent distributions received in the current fiscal year to be included in a free cash certification update subject to the conditions noted above.

Snow and Ice

The [Snow and Ice Report](#) must be filed with the Bureau by September 15.

DLS Website and Gateway

All IGRs and Bulletins referred to in this letter can be found on the DLS website at www.mass.gov/dls. Many forms referred to are found in Gateway or may be downloaded from the DLS website, completed and uploaded into Gateway. If you have any questions with regard to any item in this letter, please do not hesitate to contact your Bureau of Accounts field representative.

Schedule A Form and Notice

General Laws provide for the withholding of local aid payments to cities and towns that do not submit a Schedule A to the Bureau timely.

The FY2014 Schedule A in Gateway is currently available. The Excel version of Schedule A will be available in early August. Please note any particular instructions in the annual Schedule A Guidelines and Reference Manual.

Schedule A approval letters will be e-mailed to addresses reported in the DLS Local Officials Directory as budgeting, accountant/auditor, comptroller and finance director. These officials are advised to check their e-mail account in this Directory and notify their jurisdiction's Clerk if it is incorrect.